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**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-0537**

August 3, 1994

The Honorable Reed E. Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, NW  
Room 814  
Washington, DC 20554

FEDERAL COMMUNICATIONS  
COMMISSION  
OFFICE OF THE  
SECRETARY

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Dear Chairman Hundt:

I am writing to express my serious concern regarding the results of the recent Federal Communications Commission's (FCC) national narrowband auction for Personal Communications Services (PCS). In 1993, Congress passed a law proscribing that the FCC adopt rules for auction procedures that "ensure" that designated entities (minorities, women and small businesses) are given the "opportunity to participate in the provision of spectrum based services." 47 U.S.C. sec. 309(j)(4)(D). Although Congress did not mandate "set-asides" of spectrum, many have asserted that reserving blocks solely for designated entities is the only viable way of accomplishing this objective. As FCC Chairman, you have often expressed the agency's commitment to providing minorities and women real opportunities for ownership in the field of telecommunications. Specifically, you asserted that the FCC incentives for designated entities in the auction process, would ensure that those who had been under-represented would have a chance to "fairly" participate as service providers and licenses in PCS. (See July 16, 1994 speech to the National Urban League).

The shortcomings of the FCC's plan for designated entities were manifested in the results of the national narrowband auction. The FCC plan to include designated entities was insufficient in that none of these groups were able to successfully compete in the auction against large telecommunications companies. Women, minorities and small business enterprises were ultimately spectators in the process, and all ten (10) licenses went to major firms.

Through the PCS spectrum auction process, the FCC had an opportunity to make policy that would include groups that have been, and often are, excluded from the advantageous opportunities that have traditionally only been available to large telecommunications conglomerates. In fact, Congress sought to avoid "excessive concentration" by disseminating licenses among a wide variety of applicants, including small businesses, rural telephone companies, and businesses owned by members of minority groups and women..."

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Hundt, Chairman Reed E.

Page 2

August 3, 1994

47 U.S.C. sec. 309(j)(3)(B). Many concerned public officials put great faith in the FCC's previous commitments, and were surprised and disillusioned to learn that the opportunities did not manifest in reality.

Recently, the agency proudly announced the percentage of designated entities who were able to successfully bid for IVDS licenses. However, IVDS systems are not comparable in size or value, to PCS systems. Furthermore, the modest success of designated entities in the IVDS auction in no way overshadows the dearth of minority and women owners in the field of telephony and paging. As you pointed out in your July 26, 1994 speech to the National Urban League:

- \* Of approximately 98,000 telecommunications firms, 490 (.5%) are minority owned
- \* Of almost 1700 electronic computing equipment manufacturers only one is owned by and African-American

With narrowband regional auctions coming soon, modification of the auction rules is one issue which deserves immediate action by the FCC. The agency has received suggestions and proposals from numerous groups representing minorities, women and small businesses. These suggestions include, but are not limited to: providing minority applicants maximum flexibility in the auction process, establishing reservation blocks or giving designated entities the right of first refusal, increasing bidding credits, tax certificates and other preferences already available to designated entities. Each of those proposals deserves your personal attention. I also recommend the FCC convene a private financing seminar to bring major sources of capital together with designated entities. I stand ready to assist you in this effort to unite financial institutions with minority and female entrepreneurs.

By August 16, 1994, I would like a written response from you that includes the means by which the FCC plans to ensure the process for future narrowband and broadband PCS auctions results in the ownership opportunities for all Americans. We hope that in the future, the dream of diversity of ownership in telecommunications becomes a reality.

Sincerely,



WALTER R. TUCKER, III  
Member of Congress

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